

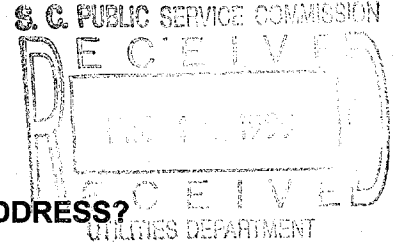
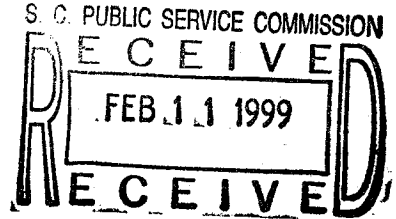
POSTED
MR 2-11-99

SIGFIELD WATER COMPANY INC.
TESTIMONY OF HAROLD A. SIGMON

FOR

THE SOUTH CAROLINA PUBLIC SERVICE COMMISSION

DOCKET # 97-131-W



1 Q: WOULD YOU PLEASE STATE YOUR NAME AND BUSINESS ADDRESS?

2 A: My name is Harold A. Sigmon, Sr. My current address is 2911 Waverly Drive, Sumter,
3 South Carolina.

4 Q: WHAT IS YOUR RELATIONSHIP WITH SIGFIELD WATER COMPANY, INC.?

5 A: I am the President of Sigfield Water Company.

6 Q: WHAT DUTIES DO YOU PERFORM IN THIS CAPACITY FOR THE COMPANY?

7 A: I am responsible for all administrative and managerial duties for the Company.

8 Q: WHAT IS THE HISTORY OF SIGFIELD WATER COMPANY INC. ?

9 A: Sigfield Water Company was created in 1985 to provide water service in Clarendon
10 County. Sigfield Water Company purchased the well, lines, and equipment of Davis
11 Water Company in 1986. Davis Water company had approximately 46 customers when
12 Sigfield Water Company purchased the system.

13
14 Davis Water Company was being operated without its rate or service area being
15 approved by the Commission. In the beginning, the Company started selling unmetered
16 water for \$100.00 per year to all customers. The Company had 72 customers. In 1989
17 the Company petitioned the Commission for approval of a rate increase and service

1 area. The Commission approved the service area, an unmetered residential rate of
2 \$200.00 per year, and a tap fee of \$500.00. Our next rate request was in 1993 when
3 the Company had 73 members. The Commission approved a rate of \$320.04 per year.

4 **Q: PLEASE EXPLAIN THE EXPENSES THAT THE COMPANY INCURRED FOR THE**
5 **YEAR ENDING 12/31/97, AS SHOWN ON THE INCOME STATEMENT AND PRO**
6 **FORMA OPERATING STATEMENT.**

7 **A:** The Company incurred the following expenses:

8	Maintenance/repairs	2,842.00
9	Equipment rentals	27.00
10	Operators fee	1,200.00
11	Contract labor	1,965.00
12	Legal/accounting fee	586.00
13	Office expense	307.00
14	License expense	1,664.00
15	Interest expense	8,718.00
16	Deprecation	7,315.00
17	Utilities	809.00
18	Management fee	12,000.00
19	Bank charges	6.00
20	Property tax	463.00
21	Engineering fees	300.00
22	Postage expenses	228.00
23	Advertising	69.00
24	Appraisal service	175.00
25	Misc.	61.00
26	Travel Expenses	<u>22.00</u>
27		\$ 38,757.00

28
29 **Q: WHY IS A \$12,000.00 MANAGEMENT FEE INCLUDED IN THE COMPANY'S**
30 **EXPENSES?**

31 **A:** The management of a public water system is very time consuming. Essentially one has
32 to be on call twenty-four hours a day. In 1996 the company decided to utilize a
33 management company to have general oversight of its day-by-day activities. The
34 company contracted with Sumter Reforestation, Inc. for that purpose. Sumter

1 Reforestation, Inc. designated me as Manager of Sigfield Water Company; and I handle
2 matters relating to system operations, equipment, state and Federal regulations,
3 customer connections and maintenance. Caroline Sigmon acts as bookkeeper, accounts
4 payable clerk, billing clerk and secretary. The arrangement is that Sigfield Water
5 Company pays \$1,000.00 per month to Sumter Reforestation, Inc. for our services.

6 **Q: WHAT WERE THE COMPANY'S REVENUES AND EXPENSES FOR THE YEAR**
7 **ENDING 12/31/97, AS SHOWN ON THE INCOME STATEMENT?**

8 **A:** The Company's income was \$23,443.00 and expenses were \$38,757.00. This resulted
9 in a net loss of \$15,314.00.

10 **Q: UNDER THESE CONDITIONS, HOW IS THE COMPANY ABLE TO REMAIN IN**
11 **BUSINESS?**

12 **A:** Sigfield Water Company Inc. has never enjoyed a profit in the ten years of ownership.
13 The Company had no money to put up a bond so I pledged a personal CD to the
14 Commission. Since 1989, in order not to be delinquent on bills, Mrs. Sigmon and I have
15 made loans to the business. From 1989 to 1996 those loans were made by me. Since
16 1996, the loans have come from Mrs. Sigmon. The loans from me have not been
17 repaid. The Company is able to stay in business because Mrs. Sigmon and I are
18 subsidizing it.

19 **Q: HAVE YOU EXPERIENCED ANY CHANGES IN THE COST OF OPERATING THE**
20 **SYSTEM IN 1998 WHICH WOULD AFFECT THE TEST YEAR FIGURES**
21 **PRESENTED TO COMMISSION ?**

22 **A:** Yes. Costs associated with the Safe Drinking Water Act should increase my operating
23 cost \$4,000.00 in 1998. Also the property tax for the system has increased from
24 \$463.00 to \$1,024.10.

Q: WHY ARE YOU PROPOSING COMMERCIAL RATES FOR YOU SYSTEM?

A: The commercial taps for this system used 17% of the water sold by the Company during the test year making up 4% of the taps on the system. Unless the commercial rate is established the residents will subsidize these commercial operations. We will meter these accounts because the commercial accounts used about 1,500,000 gallons of the 7 million sold by the system. A flat monthly rate does not give these big water users an incentive to be efficient in their use of water or to maintain and repair their lines.

Q: WHAT IS THE COST TO INSTALL A 3/4 INCH COMMERCIAL TAP ?

A: Unlike the residential water taps for Sigfield Water Company which were installed and fitted for operation on most lots when the original water lines for Foxboro were placed in the ground, the commercial taps on the system are customized or sized to fit the user. This means the water line has to be uncovered and the tap fitted and installed with each additional commercial customer. The costs for a 3/4 inch meter tap is:

Service Saddle (average cost)	\$ 50.00
Cut-Off Valve	40.00
Meter Box	65.00
Meter	77.00
Meter Base	110.00
Pipe	<u>6.00</u>
Total Materials	348.00
Labor	120.00
Total Commercial Tap Cost (3/4 Tap)	\$ 468.00

Q: WHAT IS THE COST TO INSTALL A 1 INCH TAP ?.

A: The cost of the one inch commercial tap is as follows:

Service Saddle (average cost)	\$ 90.00
Cut-Off Valve	40.00

Meter Box	65.00
Meter Base	150.00
Meter	110.00
Pipe	<u>6.00</u>
Total Materials	\$ 461.00
Labor	120.00
Total Commercial Tap Cost (1 in. Tap)	\$ 581.00

Q. WILL YOU SUMMARIZE YOUR TESTIMONY?

A. Yes. I am President of Sigfield Water Company, Inc. and Manager of its daily activities. Sigfield Water Company serves 74 water accounts in Clarendon County of which 71 of these accounts are residential users. The remaining accounts are the golf course, clubhouse, and a golf shed located in a lakeside residential community. Sigfield Water Company, Inc. was organized in 1985 to provide water to Lake View and subsequently became an active water system in 1986 with the purchase of Davis Water Company which had 46 customers. By 1989, the Company had 72 active taps, a number which has only increased by one tap during the last ten years.

Sigfield Water Company, Inc.'s last rate increase was in 1992. The Commission approved a non-metered flat rate of \$320.04 per year which is \$20.67 per month. Under this rate, the 1997 costs for operating Sigfield Water Company, Inc. exceeded Sigfield's income by \$15,314.00. Since 1997, changes necessary to meet the requirements of the Safe Drinking Water Act will increase system costs by \$4,000.00, and property taxes have increased by \$521.10.

In operating the Company, I have become aware that the largest users of water are its

1 commercial taps. The commercial accounts are not supporting the system expense in
2 proportion to their use. The rate proposed by Sigfield Water Company, Inc. is designed
3 to address this concern. Metering the commercial taps and charging a 1,000 gallon fee
4 for water use over 2,000 gallons will make the commercial customers support the
5 system in proportion to the expense of operation, and will encourage the commercial
6 users to avoid waste of water by maintaining their facilities beyond the tap.

7
8 Sigfield Water Company, Inc. cannot meet the expense of providing clean, safe water to
9 its customers at the current authorized rates. I ask the Commission to give the
10 Company a rate that will do so.

11 **Q: DOES THIS CONCLUDE YOUR TESTIMONY ?**

12 **A:** Yes.